Fraud in Banks Regarding Encashment of Fake Demand Drafts

1468. DR. D. VENKATESHWAR RAO: Will the Minister of FINANCE be pleased to state:

(a) whether a major fraud has been discovered in which several Indian Banks have been defrauded by foreign nationals by encashing fake demand drafts;

(b) if so, the names of the banks defrauded and the amount released in each case;

(c) to which countries such foreign nationals belong; and

(d) whether any of the offenders have been apprehended?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) and (b) Reserve Bank of India has reported that several Indian banks have been allegedly defrauded by some foreign nationals though forged demand drafts purportedly issued by exchange companies having rupee drawing arrangement with them. The names of the banks and amounts involved are as follows;

Name of the Bank	Amount (Rs. in lakhs)
State Bank of India	60.48
Central Bank of India	39.01
Canara Bank	30.46
Bank of India	47.67
Syndicate Bank	29.40
Union Bank of India	45.27
Vijaya Bank	10.93
Federal Bank	51.69

(c) and (d) The Central Bureau of Investigation has registered two cases in this regard and have identified five foreign nationals belonging to Jordan, Venezuela, Bahrin and U.K. for the offences. Two of the offenders have been apprehended.

Connivance of Banking Officials with FERA Violators

1469 SHRI NARENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether Enforcement Directorate has unearthed cases of connivance of banking officials with FERA violators relating to Rs.300 crore hawala racket, as reported in the Business Standard of 30th May, 1997;

(b) if so, which are the national and foreign banks involved in this racket;

(c) what action Government proposes to take to apprehend the culprits; and

(d) whether this Rs. 300 crore have been recovered or places identified where the funds have been siphoned off?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) to (d) In some of the cases forming part of news report in question, preliminary investigations made indicate suspected involvement of some bank officials. In two of such cases Show Cause Notices have been issued to Senior Bank Managers for alleged violations of the povision of Foreign Exchange Regulation Act to the tune of Rs. 9. crores. It may not be in the interest of ongoing investigations to divulge further details.

Fraudulent Transaction in Dena Bank

1470. SHRI J. CHITHARANJAN: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank conducted an enquiry about the alleged unlawful and fraudulent transactions resorted to by the Branch/authorities of Dena Bank, Trivandrum as reported in the Malayalam Daily "Mathru Bhoomi" dated June 10, 1997; and

(b) if so, what are findings of the enquiry and action taken thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) and (b) Government have seen the news-item referred to in the Question. Dena Bank has reported that it has received certain complaints from customers and staff members about violation of procedures and rules of the bank by officials of their Trivandrum branch. Based on the complaints and the findings of an inspection report of Reserve Bank of India, a special audit of the branch was ordered. The bank has further reported that disciplinary action against delinquent officials has been ordered by the competent authorities in the bank.

Report of Dave Committee on infrastructure for Capital Markets

1471. SHRI S. M. KRISHNA : Will the Minister of FINANCE be pleased to state:

(a) Whether the Dave Committee on infrastructure for capital markets has recently submitted its report;

(b) if so, what are the salient features thereof; and

(c) what staps Government have taken for immediate implementation of the report so that the capital market can function efficiently?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) The Dave Committee on infrastructure for capital Market was appointed by the Association of Merchant Bankers of India (AMBI) under the Chairmanship of Dr. S.A. Dave. The report of the Committee was submitted to AMBI and not to the Government on June 30, 1997.

(b) The major recommendations of the Committee can be grouped under four areas;

(i) Legal infrastructure;

(ii) Institutional infrastructure;

(iii) Knowledge infrastructure; and

(iv) Technological infrastructure.

The recommendations include the review of various Acts and Laws governing the financial sector, transferring of investor protection functions under the Companies Act to SEBI, various institutional reforms like encouragement of book building mechanism for Price determination, market making, inter-connectivity of various stock exchanges, setting up of investor protection fund, uniform dissemination of information by the companies and establishment of corporate connectivity to Internet etc.

(c) Formulation of the policy reforms in the capital market is a continuous process and Government constantly reviews the legal and institutional requirements of the capital market. Government amended the Securities and Exchange Board of India Act and Securities Contracts (Regulation) Act in 1995 to strengthen regulatory powers of SEBI. Government has also enacted the Depositories Act in 1996 to provide for a legal framework for establishment of depositories to provide for dematerialisation of securities and scripless trading. SEBI has also been empowered to issue directions to any person connected with the capital market to protect the interest of investors. Several of the recommendations of the Dave Committee report like provision of book building process for price determination, encouraging the stock exchages to set up clearing houses and clearing corporations to reduce delays in clearing and settlement transactions, encouraging arbitration mechanism on the stock exchanges, disclosure of information by companies are already under implementation.

Auctioning of seized/confiscated diamonds/precious stones by custom authorities

1472. SHRI M.A. BABY: Will the Minister of FINANCE be pleasd to state:

(a) whether it is a fact that seized/confiscated diamonds and other precious